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SUBJECT: A View From the Chamber: New Democracy MPs Discuss Early Elections, the Far Right, and Reform

REF: A. ATHENS 1033; B. THESSALONIKI 31; C. ATHENS 935

CLASSIFIED BY: Daniel Speckhard, Ambassador, State, EXEC; REASON:  
1.4(B), (D)

¶1. (C) Summary. In an effort to take the pulse of the governing New Democracy (ND) party, Polcouns and Poloff on 13 July met with two junior deputies, Apostolos Tzitzikostas and Christos Staikouras, and a vice-president of the Parliament, Elsa Papadimitriou, to discuss the government's agenda. Each of the deputies was eager to demonstrate that the government of Prime Minister Konstantinos Karamanlis retained vitality and a commitment to reform. They noted that the government would be pressing ahead with efforts to restructure the bloated government bureaucracy and loss-making state-owned enterprises like the Hellenic Railway Organization. The two junior MPs played down the possibility of early elections this fall, noting Karamanlis would attempt to rebuild public confidence in his government and hold out until a potential stalemate over electing a new President forced a general election next March. Papadimitriou, however, made a plausible case for the possibility that Karamanlis could pull the trigger early in order to force two rounds of elections within the next year. Although dismissive of the populism of the rightwing Popular Orthodox Rally (LAOS) party, the deputies nonetheless expressed concern about the party's growing popularity and its ability to draw support from ND's ranks. All interlocutors rejected the possibility that Karamanlis would cooperate, formally or informally, with LAOS. Instead, two of them noted that a grand coalition with PASOK would not be out of the realm of possibilities if neither major party could achieve a parliamentary majority in the next election. End summary.

¶2. (C) Polcouns and Poloff met on 13 July with Apostolos Tzitzikostas and Christos Staikouras, two junior New Democracy (ND) deputies, and with Elsa Papadimitriou, a long-serving ND deputy and the second of seven vice presidents of the Hellenic Parliament, to discuss the governing party's agenda in the wake of the European Parliamentary elections in June. Each in turn offered opinions that reflected individual interests and concerns, as well as the priorities of their constituencies. Tzitzikostas, who represents Thessaloniki's first district, displayed the most concern regarding the rise of the Popular Orthodox Rally (LAOS), which has made significant inroads, particularly in northern Greece (refs A and B). Staikouras, a London-trained economist from Lamia, said that the economic crisis dominated the concerns of his constituents, who paid little attention to nationalist issues. Papadimitriou's political pedigree stems from family ties to the former Center Union of George Papandreou's grandfather and namesake. She openly acknowledged center-left sympathies despite over 20 years as a member of ND and described her shift from the Papandreou's Panhellenic Socialist Movement (PASOK) as a "matter of aesthetics." She claimed that ND maintained her seat in the Argolis solely based her personal popularity, since the region's voter base was primarily center-left.

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Timing of Elections: Anybody's Guess

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13. (C) The media has once again been rife with rumors that Prime Minister Konstantinos Karamanlis was toying with the idea of calling another parliamentary election in September, despite ND's trailing PASOK in public opinion polls. Tzitzikostas and Staikouras, however, played down the possibility of an early general election this fall. Tzitzikostas, in particular, emphasized that a loss was a loss, irrespective of the margin. He argued that the government's goal was to win back the confidence of voters over the next six months. He noted that PASOK's election victory in the European Parliamentary elections in June was hollow because the Socialists had actually lost votes in real numbers compared to the September 2007 general election. (Note: This is sour grapes since ND also obviously lost even more votes. End note.) Tzitzikostas claimed that PASOK leader George Papandreou lacked a mandate to govern and that those who had abstained from voting or had voted for the rightwing Popular Orthodox Rally (LAOS) could be won back to ND. He noted that if ND could close the gap with PASOK in the opinion polls by January 2010, Papandreou would back out of forcing early parliamentary elections by blocking the election of the next President of the Republic. When Poloffs probed for possible presidential candidates in the event that

President Papoulias decided not to stand for reelection, Staikouras noted that the Socialist politicians, former Prime Minister Konstantinos Simitis and former Interior Minister Alexandros Papadopoulos, were two names that were being bandied about in ND circles. Staikouras noted that like most previous presidential elections, bipartisan support was necessary.

14. (C) Tzitzikostas, who hails from Thessaloniki and boasted close ties to the Prime Minister, claimed that Karamanlis wanted to be the first Prime Minister since the restoration of democracy in 1974 to win three successive parliamentary elections. (Note: Karamanlis's uncle and namesake accomplished the feat by winning general elections in 1956, 1958, and 1961. End note.) The government, therefore, was planning an aggressive reform agenda for the summer and fall to rebuild popular support. Staikouras, nevertheless noted that he and other deputies had been bracing for early elections almost from the day that they had been elected in September 2007. Both he and Tzitzikostas noted that another scandal or unforeseen event could provoke an election with little warning. Tzitzikostas warned that Greece could be entering-and he emphasized "entering" to draw a distinction from the social unrest of last December-a period of political instability akin to 1989-90, when Greece held three parliamentary elections in eighteen months.

15. (C) By contrast, Papadimitriou said that she could foresee a parliamentary election in October, followed by another in March 2010. She looked forward to implementation of ND's election law passed in 2007, which would give the winning party a greater degree of stability. (Note: The new law is similar to the election law currently in force except that it allocates a premium of 50 seats instead 40 to the party that achieves at least 41.5 percent of the vote. The Greek constitution mandates that any new electoral law not passed with a supermajority of 200 or more come into effect two general elections after it is passed. End note) She claimed that ND would be better off losing a close fall election because it could leave PASOK to deal with the difficult social and economic situation and then reap the benefits of being in opposition when another election would be forced in the spring.

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¶6. (C) Both Tzitzikostas and Staikouras were critical of the Prime Minister's handling of the social unrest in December 2008 and his failure to more quickly denounce and deal with corruption scandals linked to ND. Tzitzikostas condemned the decision to restrain the police during the riots, noting that this did more to damage the government's popularity-particularly among ND voters-than the decision to avoid casualties. Staikouras, meanwhile, regretted Karamanlis's delayed response to the Vatopedi Monastery land swap scandal, which undercut the government's claims to be committed to clean government. Staikouras expected, however, that his party would suffer less political fallout than PASOK from the brewing Siemens bribery scandal. He claimed that ND members implicated in the scandal, such as Kyriakos Mitsotakis, were tarred as individuals without incriminating the party as a whole. However, former PASOK insider Theodoros Tsoukatos's admission of receiving one million Deutschmarks (EUR 420,000) from Siemens in 1999 to help finance the Socialists' election campaigns implicated the whole party structure (ref C).

¶7. (C) Both MPs, however, sought to emphasize that ND was committed to reenergizing its reform effort and stressed that the government did not plan to wait until the fall, when the full Parliament came back in session. Tzitzikostas claimed that ND's first major task was to take on the Greece's bloated public sector-a view seconded by Staikouras. Getting more specific, Staikouras noted that the government planned to shed jobs and restructure the state-owned Hellenic Railway Organization (OSE). Noting that the railroads were hemorrhaging money, he claimed that OSE was losing twice as much money per day as Olympic Airways prior to its privatization. The government also was developing plans to streamline the number of "special category" jobs in Greece that were considered dangerous and thus qualified for early retirement.

He hoped that measures would be adopted as soon as July or September at the latest.

¶8. (C) Tzitzikostas and Staikouras were sanguine that the government could ride out any potential labor unrest, including the railroad strikes that have already begun. Instead, they were confident that voters would reward ND for taking on tough reforms. Staikouras claimed that most of the Greek public was ahead of members of Parliament regarding their willingness to suffer in the short term for the long term benefits that would come from serious structural reform. Both MPs sought to downplay the impact of the global financial crisis on Greece, claiming that the summer tourism season would not be as bad as projected. Staikouras, moreover, insisted that the growth in Greece's budget deficit and its unemployment figures remained below the EU average.

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Dismissive, But Running Scared of the Far Right

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¶9. (C) All three interlocutors were quick to dismiss LAOS as a long-term threat to ND. They emphasized that LAOS had a populist agenda with no credible policy alternatives. They noted that most LAOS supporters were conservatives attracted to the party as a protest vote against the government. Citing the party's demographics as evidence of its lack of a future, Papadimitriou claimed that 70 to 80 percent of LAOS voters were from ND; the

majority was males over 50 years old. Tzitzikostas even claimed that support for LAOS would collapse when ND was once again in opposition. In the next breath, however, he labeled LAOS the most dangerous party in Greek politics because of its willingness to pander to Greek nationalist and xenophobic sentiment. The deputies acknowledged that the growth in the popularity of LAOS had come at ND's expense, and the governing party had done a poor job of countering LAOS's message. Tzitzikostas, for example, defended the crackdown on illegal immigration in recent weeks, but noted the poor timing of the government's moves because it played into the perception that ND feared the far right.

¶10. (C) The ND deputies rejected any form of cooperation between their party and LAOS. They noted that even an informal coalition with LAOS would undermine popular support for ND. Although Tzitzikostas acknowledged that ND could still govern without a parliamentary majority as long as the opposition remained disunited, he said that Karamanlis would prefer to call an election if another deputy left or was forced out of the ND parliamentary group. He noted that Karamanlis would not risk being beholden to LAOS leader George Karatzaferis for the passage of legislation and remaining in power. Tzitzikostas and Papadimitriou largely dismissed attempts by Karatzaferis to cultivate a more moderate image for his party. Papadimitriou noted that about four of the LAOS parliamentary deputies were credible politicians, and she claimed she was attempting to convince them to join ND rather than allowing LAOS to woo disenchanted conservatives.

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#### A Grand Coalition: The Best, But Unlikely Solution

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¶11. (C) Papadimitriou described a grand coalition between ND and PASOK as the best solution for Greek reform efforts. Staikouras likewise regarded an ND-PASOK coalition as perhaps the best way to address the economic crisis. Papadimitriou praised the principles and integrity of both Karamanlis and Papandreou, claiming that neither of them was personally tainted by the corruption affecting ND and PASOK. She claimed that such a coalition could insulate both parties from populist and media attacks, allowing the government to implement unpopular, but necessary, structural reforms. Tying it to her scenario for an early parliamentary election in October, she claimed that if neither major party gained a parliamentary majority, a coalition between ND and PASOK offered

the best possibility for political stability and reform. She dismissed public statements by both party leaders opposing such an option as mere posturing and claimed both Karamanlis and Papandreou had the nerve and intelligence to consider a grand coalition. Papadimitriou noted that such a government, which would probably last no more than a year, should concentrate on four issues: immigration, education reform, the economic crisis, and culture. The rest could be left to Brussels.

¶12. (C) Turning briefly to a discussion of the Ecologist-Green Party, Papadimitriou described the rise of this party as "proof of the idiocy of ND." She lamented that her party had so far failed to capitalize on the growing environmentalist movement by co-opting some of its issues. At a minimum, she said Karamanlis needed to create a separate Environment Ministry not tied to Public Works. She acknowledged that PASOK had done a better job of advocating "green" policies, but she nonetheless regarded Karamanlis as a more capable policymaker compared to his Socialist opponent. Having known Papandreou since he was nine, Papadimitriou largely dismissed his effectiveness as a leader. "Papandreou is only collecting our failure," she said.

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Comment: Positive Words, But Can ND Deliver?  
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¶13. (C) Comment: Despite the private nature of the conversations, these MPs tended to echo the party line regarding the economic crisis and its impact on Greece. Although they attempted to sound tough on reform, it remains unclear that ND will have the stomach to force through structural reforms that risk even more popular discontent among a fickle Greek public with the numbers of unemployed growing and the prospect of another election looming ever closer. Moreover, although they appeared to have no sympathy for Karatzaferis and some ND members who have suggested cooperation between the two parties, concern that LAOS is cutting into ND's support among more conservative, nationalist voters could lead the governing party to seek to blunt LAOS's popularity by taking tougher stances on nationalist issues. The crackdown on illegal immigration stems only in part from LAOS's hardline stance and its subsequent electoral success, since the government's reaction had been evolving for months. Nevertheless, as ND seeks to rebuild popular support, Karamanlis might resort to adopting tougher positions vis-à-vis Turkey and Macedonia to avoid being further out flanked by the far right. End Comment.  
SPECKHARD